

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND

INDEPENDENT AUDITORS' REPORTS

Gregg A. Neis CPA

CERTIFIED PUBLIC ACCOUNTANT

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

TABLE OF CONTENTS

Independent Auditors' Report on Financial Statements	1-2
 Financial Statements	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
 Notes to Financial Statements	
Schedule 1	4-7
Summary of Expenditures - Actual and Budget	8
 Schedule 2	
Statement of Receipts and Expenditures - Actual and Budget	
General Fund	9
Special Machinery and Fire Protection Reserve	10

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

January 21, 2016

Board of Trustees
Wakarusa Township, Douglas County, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Wakarusa Township, Douglas County, Kansas a municipality, as of and for the year ended December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Wakarusa Township, Douglas County, Kansas to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Wakarusa Township, Douglas County, Kansas as of December 31, 2015, or changes in financial position and cash flows there of for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Wakarusa Township, Douglas County, Kansas as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2014 actual columns presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedule 2 as listed in the table of contents) are presented for comparative analysis and are not a required part of the 2014 basic financial statement upon which we rendered an unqualified opinion dated January 26, 2015. The 2014 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, at the following link <http://da.ks.gov/ar/muniserv/>.



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WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Summary of Cash Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2015

<u>Funds</u>	<u>Beginning Unencumbered Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General	\$ 462,712	\$ -	\$ 1,766,884	\$ 1,861,430	\$ 368,166	\$ -	\$ 368,166
Special Revenue Funds							
Special Machinery Reserve	229,119		150,218	191,412	187,925		187,925
Special Fire Protection Reserve	-		300,000	-	300,000		300,000
Total Reporting Entity	<u>\$ 691,831</u>	<u>\$ -</u>	<u>\$ 2,217,102</u>	<u>\$ 2,052,842</u>	<u>\$ 856,091</u>		<u>\$ 856,091</u>
Composition of Cash							
			Central Bank of Midwest, Lawrence, Kansas				
			Checking accounts				\$ 38,441
			Savings accounts				849,759
			Less outstanding checks				32,109
						Total Cash	<u>\$ 856,091</u>

The accompanying notes to financial statements are an integral part of this statement.

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

Wakarusa Township, Douglas County, Kansas, (the Township) is a municipal corporation governed by an elected three member Board of Trustees. The regulatory financial statement presents all funds over which the Board of Trustees exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The Kansas Municipal Audit and Accounting Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Township has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Township to use the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the Township are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

Regulatory Basis Fund Types

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Township:

Governmental Funds

General Fund - to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Assets and Liabilities

Deposits

At year end the carrying amount of the Township's deposits, was **\$856,091**. The bank balance was **\$888,200**. Of the bank balance, **\$250,000** was covered by FDIC insurance. State statutes require Township's deposits in financial institutions to be entirely covered by FDIC insurance or by pledged securities held under joint custody receipts issued by a third-party bank in the Township's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Township, the pledging bank and the independent third-party bank holding the pledged securities.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide the following sequence and timetable in the adoption of the legal annual budget:

1. Preparation of the budget for the succeeding fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing. Adoption of the final budget on or before August 25th.

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES – Continued

a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, agency funds and the following special revenue funds:

Special Machinery Reserve Fund
Special Fire Protection Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulation, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 2 - LONG TERM DEBT

The following schedule shows the changes in long-term debt and related maturities.

Issue and Date	Interest Rate	Original Amount	Balance 1/1/2015	Additions	Principal Payments	Balance 12/31/2014	Interest Paid
Capital Leases							
Fire Truck 7/29/2013	2.26%	<u>330,532</u>	<u>286,815</u>	<u>0</u>	<u>45,172</u>	<u>241,643</u>	<u>6,482</u>
		<u>\$ 330,532</u>	<u>\$286,815</u>	<u>\$ 0</u>	<u>\$ 45,172</u>	<u>\$241,643</u>	<u>\$ 6,482</u>
Maturity Schedule							
		Principal Due		Interest Due			
2016		46,193		5,461			
2017		47,237		4,417			
2018		48,304		3,350			
2019		49,396		2,258			
2020		<u>50,513</u>		<u>1,142</u>			
		<u>\$ 241,643</u>		<u>\$ 16,628</u>			

4,417

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 3- DEFINED BENEFIT PENSION PLAN

Wakarusa Township Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing KPERS (611 South Kansas Avenue; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates are determined by the member-employee employment date in a covered position at 6 percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS are funded on an actuarial valuation. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rates established by statute for January 1 to December 31 2015 was 10.48%. The Township employer contributions to KPERS for the year ending December 31, 2015, were **\$30,737**, equal to the statutory required contributions for the year.

NOTE 4 - COMPENSATED ABSENCES

The Township's policy regarding vacation leave allows employees to earn vacation time based upon length of service. Annual vacation time is payable upon termination of employment. Sick leave may be accumulated to a maximum of 90 days. Upon termination of employment, all accrued sick leave shall be lost and have no monetary value except when the employee retires, is permanently disabled or dies. At December 31, 2015, the Township has estimated the cost of accumulated sick pay or vacation time at **\$ 4,200**.

NOTE 5 - INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	Special Machinery Reserve	K.S.A. 68-141g	\$ 88,300
General Fund	Special Fire Protection Reserve	K.S.A. 80-1558	<u>300,000</u>
Total General Fund Transfers			<u>\$ 388,300</u>

NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Management was not aware of statutory violations.

NOTE 7 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance during the past fiscal year.

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2015

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year (Unfavorable)</u>	<u>Variance- Favorable</u>
Governmental Type Funds:					
General	\$ 2,512,712		\$ 2,512,712	\$ 1,861,430	\$ 651,282

The accompanying notes to financial statements are an integral part of this statement.

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

(With Comparative Actual Amounts for the Year Ended December 31, 2014)

	Budget	General Dept	Actual Fire Dept	Road Dept	Total Actual	Budget vs. Actual Variance- (Unfavorable)	Prior Year Actual
Cash Receipts							
Douglas County Treasurer							
Ad Valorem Property Taxes	\$ 1,624,904	\$ 1,612,670	\$ -	\$ -	\$ 1,612,670	\$ (12,234)	\$ 1,630,267
Delinquent Property Tax	6,000	1,767			1,767	(4,233)	12,546
Commercial Vehicle		3,251			3,251	3,251	-
Motor Vehicle Taxes	59,304	59,369			59,369	65	58,237
Watercraft	886	1,424			1,424	538	-
Recreational Vehicle Taxes	1,215	1,130			1,130	(85)	1,018
16/20 Motor Vehicle Taxes	1,281	919			919	(362)	4,478
Special Highway/Gasoline Taxes	37,795	38,388			38,388	593	38,024
Flood Control	100	181			181	81	206
Dg. Co Treasurer- Reimburse		-			-	-	-
Reimbursement Equipment Sale		-			-	-	175,500
Road Maintenance Reimbursement		-		41,685	41,685	41,685	12,913
Grants		4,801			4,801	4,801	3,500
Interest on Checking	300	1,298			1,298	998	547
Total Cash Receipts	1,731,785	\$ 1,725,198	\$ -	\$ 41,685	\$ 1,766,884	\$ 35,099	\$ 1,937,236
Expenditures							
Wages	\$ 330,000	\$ 4,785	\$ 152,808	\$ 146,083	\$ 303,676	\$ 26,324	\$ 344,271
Payroll Taxes and Employee Benefits	115,000	91,346			91,346	23,654	123,861
Officers Pay	14,400	14,400			14,400	-	14,400
Hired Services & Bookkeeping	15,000	6,850			6,850	8,150	11,630
Insurance	50,000	56,354	5,820		62,174	(12,174)	65,125
Fuel	65,000	1,083	20,936	21,344	32,106	32,895	61,294
Repairs and Maintenance	-	-	9,679		9,679	(20,936)	38,063
Building Repairs and Maintenance			9,632	1,066	10,698	(10,698)	14,637
Road Materials	744,934		687,051		687,051	57,883	596,701
Supplies & Repairs	750,000	1,000	4,515	41,233	46,749	703,251	47,114
Capital Expense- Building and Vehicles							
Capital Expense Digital Radio							
Fire Tanker	130,000	124,865	20,969		20,969	(20,969)	167,217
Equipment	263,378					5,135	
Office & Fees		5,619	13,009	1,415	14,424	248,954	57,605
Utilities & Phone	35,000	23,043	2,375	96	8,090	(8,090)	6,355
Training and Testing		2,800	360	934	24,337	10,663	28,509
Miscellaneous			978		3,778	(3,778)	3,849
Total expenditures	2,512,712	\$ 332,145	\$ 241,763	\$ 899,222	\$ 1,473,130	\$ 1,039,582	\$ 1,581,993
Receipts Over (Under) Expenditures	(780,927)	\$ 1,393,053	\$ (241,763)	\$ (857,537)	\$ 293,754	\$ 1,074,681	\$ 355,243
Other Financing Sources (Uses)							
Operating transfers out		(388,300)			(388,300)	(388,300)	(437,304)
Total other financing sources (uses)		(388,300)			(388,300)	(388,300)	(437,304)
Receipts and Other Sources Over (Under) Expenditures and Other Uses	(780,927)	1,004,753	(241,763)	(857,537)	(94,546)	696,381	(82,061)
Unencumbered Cash Balance - Beginning	780,927	462,712			462,712	(318,215)	544,773
Prior Year Cancelled Encumbrance							
Unencumbered Cash Balance - Ending	\$ -	\$ 1,467,465	\$ (241,763)	\$ (857,537)	\$ 368,166	\$ 368,166	\$ 462,712

The accompanying notes to financial statements are an integral part of this statement.

WAKARUSA TOWNSHIP
DOUGLAS COUNTY, KANSAS

SPECIAL FIRE PROTECTION AND SPECIAL MACHINERY RESERVE

Schedule of Receipts and Expenditures – Actual*

Regulatory Basis

For the year ended December 31, 2015

(With Comparative Actual Amounts for the Year Ended December 31, 2014)

Special Machinery Reserve	<u>Actual</u>	<u>Prior Year</u>
Cash Receipts		
Interest on savings	\$ 218	\$ 71
Equipment sales	61,700	\$ -
Total Cash Receipts	<u>61,918</u>	<u>71</u>
Expenditures		
Road Equipment	99,934	173,842
Fire Equipment	39,824	
Capital Improvements		
Total expenditures	<u>139,758</u>	<u>173,842</u>
Receipts Over (Under) Expenditures	<u>(77,840)</u>	<u>(173,771)</u>
Other Financing Sources (Uses)		
Fire equipment lease purchase payments	(51,654)	(51,654)
Operating transfers in	88,300	437,304
Total other financing sources (uses)	<u>36,646</u>	<u>385,650</u>
Receipts and Other Sources Over (Under) Expenditures and Other Uses	<u>(41,194)</u>	<u>211,879</u>
Unencumbered Cash Balance - Beginning	<u>229,119</u>	<u>17,240</u>
Unencumbered Cash Balance - Ending	<u>\$ 187,925</u>	<u>\$ 229,119</u>

*This fund is not required to be budgeted.

Special Fire Protection Reserve	<u>Actual</u>	<u>Prior Year</u>
Cash Receipts		
Interest on savings	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures		
Fire Equipment	-	
Capital Improvements		
Total expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)		
Operating transfers in	300,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>-</u>
Receipts and Other Sources Over (Under) Expenditures and Other Uses	<u>300,000</u>	<u>-</u>
Unencumbered Cash Balance - Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash Balance - Ending	<u>\$ 300,000</u>	<u>\$ -</u>

*This fund is not required to be budgeted.

The accompanying notes to financial statements are an integral part of this statement.